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**PERFORMANCE OF RESCUE PACKAGE BENEFICIARIES AND ITS  
DETERMINANTS: THE CASE OF COTTON AND COFFEE TRADERS  
RECEIVING GLOBAL FINANCIAL CRISIS RESCUE PACKAGE  
THROUGH CRDB BANK PLC**

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REQUIREMENTS FOR THE DEGREE OF MASTERS IN BUSINESS  
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## **CERTIFICATION**

I, the undersigned, certify that have read the dissertation titled: **‘Performance of Rescue Package Beneficiaries and Its Determinants: ‘The case Study of CRDB Bank Public Limited Company’** and recommend it for acceptance by the Open University of Tanzania.

.....  
**Dr. Proches Ngatuni**

**Supervisor**

.....  
**Date**

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## DECLARATION

I, **Makoye Luswaga**, declare that this dissertation is my own original work and that it has not been presented for a similar degree award.

.....

**Signature**

.....

**Date**

## **DEDICATION**

This dissertation is dedicated to my lovely wife Prisca and my son Leonard.

## **ABSTRACT**

The study's focus was on assessing performance of the beneficiaries of the rescue package (cotton and coffee traders') following the Global Financial Crisis (GFC) that occurred in 2008. It aimed at analyzing the characteristics of rescue package beneficiaries, assessing their performance after they had received the rescue package and identifying factors influencing such performance. Data were collected by administering 74 questionnaires to sampled beneficiaries in Ruvuma, Mbeya, Mwanza, Mara and Shinyanga. Only 51 useful questionnaires were returned.

Data were inputted in SPSS Software. The analysis involved use of cross tabulation techniques to analyze the key characteristics of rescue package beneficiaries and assessing their performance after they had received the rescue package. Also identifying the factors that influenced loan repayment performance and access loans, mean scores from 5 points likert scale types of statement were computed descriptively across respondents and compared statistically between coffee and cotton traders using independent samples t-test technique.

Results show that 31.3% of the rescue package beneficiaries repaid their loans fully, 78.4% accessed loans subsequently; 52.9% experienced increase in sales varying from 1% to 100%, 39.2% increased staffing by between 1% to 100%; and 74.5% were able to survive and continue trade in the two crops. There were notable differences in all performance measurements between coffee and cotton traders. Multiple borrowing behaviour of the traders, political interference, interest rate on loans and crop market were found to be important determinants of rescue package beneficiaries' subsequently loan repayment performance. Mean scores for multiple

borrowing and political interference for coffee traders were statistically significantly higher than those of cotton traders. Moreover, although crop prices and crop markets had the lowest mean scores, those for coffee traders were statistically higher than those of cotton traders and were significant.

Result also show that bank procedures, timeliness disbursement, bank policies, timeliness of disbursement of rescue package payments and traders relationship with the bank were important factors for subsequent access to loans. Mean scores for all these factors were lower and statistically insignificant for coffee traders except for the traders' relationship with the bank in which the mean score for coffee traders was significantly higher than that of cotton traders.

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Similarly, I wish also to express my thanks to all who supported me during my study, I know it is not easy to mention every one, May God who is able to see beyond understanding bless you all, now and forever. Amen.



**ABBREVIATIONS**

AMCOS	Agricultural Marketing Cooperative Society
BOT	Bank of Tanzania
CRDB	CRDB Bank Plc
FY	Financial Year
GFC	Global Financial Crisis
LBT	Land Bank of Tanganyika
MOFE	Ministry of Finance and Economic Affairs
MOU	Memorandum of Understanding
NPL	Non Performing Loan
PLC	Public Limited Company
TZS	Tanzanian Shillings

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## **CHAPTER ONE**

### **1.0 INTRODUCTION**

#### **1.1 Background to the Research Problem**

This research assessed the performance and determinants of rescue package beneficiaries, analysed their key characteristics and identified the factors that influenced the performance of the pertinent beneficiaries after receiving the rescue package.

Global Financial Crisis (GFC) resulted from USA subprime mortgage crisis that began in 2006. Its effects constricted credit globally and led to the failure of several major financial institutions. The factors that contributed to the severity of the crisis included policies which encouraged mortgage financing to beneficiaries who arguably didn't qualify for the facility. Eventually, distorting the relationship between the financing part and the mortgage customers leaving mortgage financiers with less incentive to pay attention to whether borrowers would be able to repay their loans. Also there were 'financial engineering' practices that allowed for extremely low interest loans or even no interest at all which eventually led a sharp price drops and a glut of new homes that eventually led to sharp price drop (Shiller, 2008).

The impact of GFC was on the global commodity market, for example up to July 2009, world prices for agricultural recorded mixed trends. Prices of Robusta and Arabica coffee recorded a decline from \$2.28 per kg in July 2008 to \$1.87 in July 2009, and from \$3.08 per kg to \$2.17, respectively. The price of cotton (A index) decreased from \$1.64 per kg to \$1.41 per kg (Lunogelo, et al, 2009:4). As the GFC became severe worldwide, many countries took a wide range of measures to mitigate

its impact. Such measures include injecting public capital in easing monetary policy stances and providing fiscal stimulus packages (BOT, 2010)

The Tanzania's economy was not spared of this turmoil. The impact of the GFC on the Tanzania's economy could be looked into from two perspectives. First, Its impact was on financial sector and second, its impact on the performance of the economy. By early 2009, there were already indications that the crisis had adversely affected a number of sectors including agriculture. For example, as exporters of the major traditional crops particularly cotton and coffee-were preparing to export their stock of crops in the 2009 season, world commodity prices dropped sharply because of the collapse in demand from major trading partners leading to cancellation of orders.

The situation forced some of these exporters to sell their stocks at a loss, jeopardizing their ability to service loans they had obtained from commercial banks. Some of these exporters suspended crop buying operations and consequently many farmers were left with unsold crops. 'Commercial banks therefore became vulnerable to the credit risk exposure due to the distressed borrowers (the crop traders) and as a result they became overly cautious at lending to economic activities, particularly those with external linkages' (BOT, 2010:7-8). It was therefore estimated that by May 2009, Tanzania Government had suffered a loss of about USD 255 Million from domestic income occasioned by the GFC.

'Tanzania is one of eight countries that received GFC funds of more than USD 255 Million' (Lunogelo, et al, 2009:22). In the view of the need to cushion her economy from the pullovers of the GFC, the government of the United Republic of Tanzania (URT) prepared a rescue package as a fiscal stimulus, which was factored into the



2009/10 budget and it amounted to 1,692.5 billion shillings. The package was announced on the 9<sup>th</sup> of June 2009 and was aimed at compensating for losses incurred on the export market and guarantees for rescheduling of loans given by commercial banks to cooperatives, enterprises, and companies and for procurement of crops among others (MOFE, 2010:3). Its key objectives included: (i) to protect employment and income levels of the population; (ii) to ensure food security; (iii) to protect key investments especially in infrastructure; and (iv) to protect social services programmes. Specifically, the package contained measures to stimulate domestic demand and targeted financial support to the affected activities in the agricultural sector (BOT, 2010).

## **1.2 Overview of CRDB Bank PLC in Facilitating the Rescue Package**

CRDB Bank Plc is one of the leading commercial banks in Tanzania and it is listed on the Dar es Salaam Stock Exchange (DSE) since 2009. Its history dates back to 1947 when the Government of Tanganyika established the Land Bank of Tanganyika (LBT) with a capital of 4 million Tanzanian shillings (TZS) at that time. This was raised to 6 Million Tanzanian shillings in 1950. It went on to become the Tanzanian Rural Development Bank (TRDB) and eventually Corporate and Rural Development Bank (CRDB) in the post independence period. Following its restructuring in 1996 it became CRDB Bank Ltd. It took over the non performing loans (NPLs) from its predecessor (Corporate and Rural Development Bank) worthing TZS 52,351 Million which were charged off. This measure allowed CRDB Bank Ltd to start with clean books of accounts (CRDB, 1996). The bank's loan portfolio included a substantial component of loans advanced to the agriculture sector. For example the agricultural sector loan component was TZS 110.899 Billion by 31<sup>st</sup> December 2008 and

increased by an additional TZS 19.14 Billion by 31<sup>st</sup> December 2009. The same component accounted for 28% of the loan portfolio of TZS 1.123 Trillion by 31<sup>st</sup> December 2010 (CRDB Bank PLC annual Financial Statement, 2008; 2009; 2010).

Amongst the borrowers of CRDB Bank Ltd were crop traders dealing with cotton and coffee and these traders were also affected by the GFC from 2008 leading to failure to service their loans from the bank. ‘CRDB reported a total of TZS 168 Billion which were at risk due to persistence of such failure’ ( Lunogelo, et al, 2009:9). Following the set up of rescue package in 2009, the Government of Tanzania announced to all sectors which were affected by GFC to submit their application letters for rescue packages, with explanation of how much each had been affected, to BOT for scrutiny. CRDB Bank Plc had extended loans to 155 crop traders in both cotton and coffee. The Bank prepared a list of all crop traders and informed them about the government’s announcement.

BOT developed loss compensation of TZS 28.6386billion. However after a review, TZS 26.97086 billion was established as eligible for compensation. By march 2010, a total of TZs 19.313 billion had been disbursed to the traders (TZS 9.313 billion for cotton traders and TZS 9.867 billion for coffee traders) (MOFE, 2010:3). Out of that amount, TZS 18.283 billion was given to CRDB Bank Plc – TZS 8.968 billion for cotton traders and TZS 9.315 billion for coffee traders. Amongst the beneficiaries were cooperative unions, Agricultural Marketing Cooperative Societies (AMCOS), farmer groups and companies (BOT, 2009). A total of 155 crop traders from CRDB Bank Plc applied for the package (29 cotton and 126 coffee traders). Out of these, a total of 74 traders (14 out of 29 cotton traders and 60 out of the 126 coffee traders)

qualified for the package. While the coffee traders were found in Ruvuma and Mbeya regions, cotton traders were found in Mwanza, Shinyanga and Mara regions. To date only 78 crop traders (63 for coffee and 15 for cotton) are on the CRDB Bank Plc books. This means that 77 crop traders (63 for coffee and 14 for cotton) are either no longer trading in these two crops or they do it under different arrangements.

To implement the package, the Government of Tanzania signed a memorandum of understanding (MOU) with CRDB that all crop traders who received rescue package should continue accessing loans for five years consecutively in order to safeguard cash crops. By early August 2009 rescue package was disbursed to the qualified crop traders (CRDB Bank Plc, 2009). The modality of disbursement was clear since BOT prepared and submitted a list of qualified crop traders with their respective rescue amount to CRDB Bank PLC. Those amounts were then deposited directly to crop traders' loan accounts with CRDB.

### **1.3 Statement of the Research Problem**

It is now over five years 2008 – 2012 since occurrence of GFC and over four years since rescue package was implemented and relatively little is known about how the beneficiaries of the package (crop traders) performed in relation to the package's main objectives. It is known already that 77 crop traders no longer do business under the arrangement but little is known about how all traders performed over the review period and more so what factors influenced their performance in addition to receiving the rescue package. It would be recalled that the objectives of the rescue package included (i) To protect employment and income levels of the population (ii) to ensure food security (iii) to protect key investments especially in infrastructure and (iv) to protect social services programmes. It is assumed that if the rescue

package attained its goals the crop traders would still be in business contributing to these four objectives by injecting social and economic capital through sustainable markets for crops produced. Crop traders would also be able to service their loans with CRDB Bank PLC and continue to enjoy subsequent loans due to improved credit status.

Thus, this study was designed to identify some key characteristics of the crop traders, determine their performance following the receipt of the rescue package and identify factors other than rescue package that can explain the observed performance.

## **1.4 Research Objectives**

### **1.4.1 General Research Objective**

The general research objective is to assess the performance of beneficiaries of rescue package following GFC and its determinants.

### **1.4.2 Specific Research Objectives**

The research will therefore:

- i. Analyse the key characteristics of Rescue Package Beneficiaries.
- ii. Assess the performance of Recipients of the Rescue Packages.
- iii. Identify factors influencing Rescue Package Beneficiaries' performance.

## **1.5 Research Questions**

- i. What are the key characteristics of Rescue Package Beneficiaries?
- ii. How did the Recipients of Rescue Packages performed subsequently?
- iii. What factors affected Rescue Package beneficiaries' performance?

## **1.6 Limitations**

As with many researches, there are number of limitations. The study covers crop traders based in Mwanza, Shinyanga, Mara, Mbeya and Ruvuma regions from only one Bank; therefore the results may not be generalized as Banks may not be the same across all over. Also respondents might not provide genuine information, as information could can't be easily crosscheck. Despite of these limitations it was worthwhile carrying out the study because it will give insights on how rescue package beneficiaries performed after receiving rescue package.

## **Significance of the Research**

This research is very important to inform the public at large on the extent to which the objectives of the rescue package were achieved as well as its determinants. Also it serves as a body of knowledge to the academic institutions particularly in the area of success and failures of the rescue packages as a mitigation against potential effect of economic downturns. Finding, on the factors that influenced performances are useful in planning for packages should similar crisis happen.

## **1.8 Organization of the Dissertation**

The rest of the dissertation is organized as follows: chapter two presents a review related literature and specifies the conceptual framework. Chapter three presents the methodology used. Chapter four presents the findings and their discussion. Finally, chapter five presents conclusions, implications and recommendations. Areas for future studies are also detailed.

## **CHAPTER TWO**

### **2.0 LITERATURE REVIEW**

#### **2.1 Overview**

This section reviews the relevant literature. The literature review is critical in any research work (Kothari, 2007 cited by Kosia, 2012). The literature review is organized in six main headings, namely conceptual definitions, theoretical review, analysis of relevant empirical studies, research gap, conceptual framework and conceptual framework.

#### **2.2 Conceptual Definitions**

##### **2.2.1 Financial Rescue Package**

Financial rescue package is an act of loaning or giving capital to an entity (a company, a country or an individual) that is in danger of failing, in an attempt to save it from bankruptcy, insolvency or total liquidation it limit the damage that follows financial crises by reassuring private investors and ruin; or by allowing a failing entity to fail gracefully without spreading contagion. ([www.wikipedia/en/math](http://www.wikipedia/en/math)). Dooley, (2003:3) argues that rescue package can systematically mitigate output losses but only under very stringent conditions that are designed to limiting contagion to other countries.

##### **2.2.2 Loan**

A loan is a type of debt. Like all debt instruments, a loan entails the redistribution of financial assets over time, between the lender and the borrower. In a loan, the borrower initially receives or borrows an amount of money, called the Principal, from the lender, and is obligated to pay back or repay an equal amount of money

indeed, plus interest and other charges such application, legal and insurance fees to the lender at a later time. Typically, the money is paid back in regular instalments or partial repayments; in annuity, each instalment is the same amount ([www.investopedia.com/terms/s/loan-servicing](http://www.investopedia.com/terms/s/loan-servicing)). Rahman, (2011:37) argues that traditionally, a bank gives emphasis on collateral in funding the clients whereas in the concept of modern banking a bank keenly fails to measure the business risk over the security risk for ensuring the timely repayment of invested fund.

### **2.2.3 Loan Servicing**

Loan servicing is the administration aspect of a loan from the time the proceeds are dispersed until the loan is paid off. This includes collecting payments and providing of payment statement on monthly basis, maintaining records of payments and remitting fund to the note holder and following up on delinquencies ([www.investopedia.com/terms/s/loan-servicing](http://www.investopedia.com/terms/s/loan-servicing)).

### **2.2.4 Performing Loan**

Performing loan is a loan on which payments of interest and principal are less than 90 days past due ([www. BusinessDictionary.com](http://www.BusinessDictionary.com)).

### **2.2.5 Loan Repayment**

Loan repayment is the fully amortising payment in which each monthly rate has the same value over time ([www.wikimedia.org/wikipedia/en/math](http://www.wikimedia.org/wikipedia/en/math)).

## **2.3 Theoretical Review**

The GFC has inspired writings from many scholars since 2008. The orientation provided in their different writings varies widely. Indeed, while some focused on the causes of the financial crisis, others have tried to assess its impact and recommended

solution. Stimulus packages of economic measures put together by Government to stimulate a floundering economy was among such recommended measures. The objective of a stimulus package was to reinvigorate the economy and prevent or reverse a recession by boosting employment and spending. The theory behind the usefulness of stimulus package is rooted in Keynesian economics, which argues that the impact of a recession can be lessened with increased Government spending. Keynesian Economic theory states that active government intervention in the market place and monetary policy is the best method of ensuring economic growth and stability ([www.investopedia.com/terms/s/stimulus-package.asp](http://www.investopedia.com/terms/s/stimulus-package.asp)). A supporter of Keynesian economic believes it is the government's job to smooth out the bumps in business cycles. Intervention would come in the form of Government spending and tax breaks in order to stimulate the economy and government spending cuts and tax hikes in good times, in order to curb inflation.

## **2.4 Empirical Analysis of Relevant Studies**

Evidences from literature shows that the GFC has been referred to as the worst scenario since Great Depression of the 1930s. It has contributed to the failure of key businesses; to the decline in consumer wealth estimated in trillions of U.S. dollars; and triggered a significant decline in economic activities as well as prompted substantial financial commitments by the governments (Lunogelo, et al., 2009). Literature supports the fact that the impact of GFC varies from one country to the other (Agbetsiafa, 2011). Each government seemed to respond to the emerging problems with a country specific set of measures (Belke, 2009:42). Others argue that



there is limited scope for government to respond to this in the short term (Bevan, 2010:29). G20 is contributed the most of the global stimulus (Khataiwada, 2009:1).

Massa and Te Velde (2008:17) indicated that Ghana, Mali, Mozambique and Tanzania were more at risk than the other countries since they have a significant share of foreign owned banks and their economies strongly rely on foreign direct investment.

Credit risk is the major risk in banking risk and yet almost all banks derive a significant proportion of their income from lending operation (Sood, 1994 cited by Makwi 2007). Orebiyi (2002) argues that major loan repayment determinants of rural borrowers in the rural credit markets of Imo State, Nigeria include the amount of loan borrowed, age, literacy level of the loan beneficiaries and level of the loan supervision. Makwi (2007) observes that for credits to perform better, the banks must enhance credit processing, supervision, monitoring and well established customer-banking relationship. Mlabwa (2004) argues that lending business in banks is important therefore, monitoring, control and mitigation of credit risks should be done.

One of the most common ways of mitigating credit risk is to have all loans with adequate securities, but even where the credit facilities are adequately secured, bank fail to recover the entire outstanding balance in case of default. Josiah (2009) shows that bank loan default among beneficiaries of credit guarantee schemes is caused by various factors, the most important factors are fund diversion, the will to default and variability in income from agricultural enterprises.

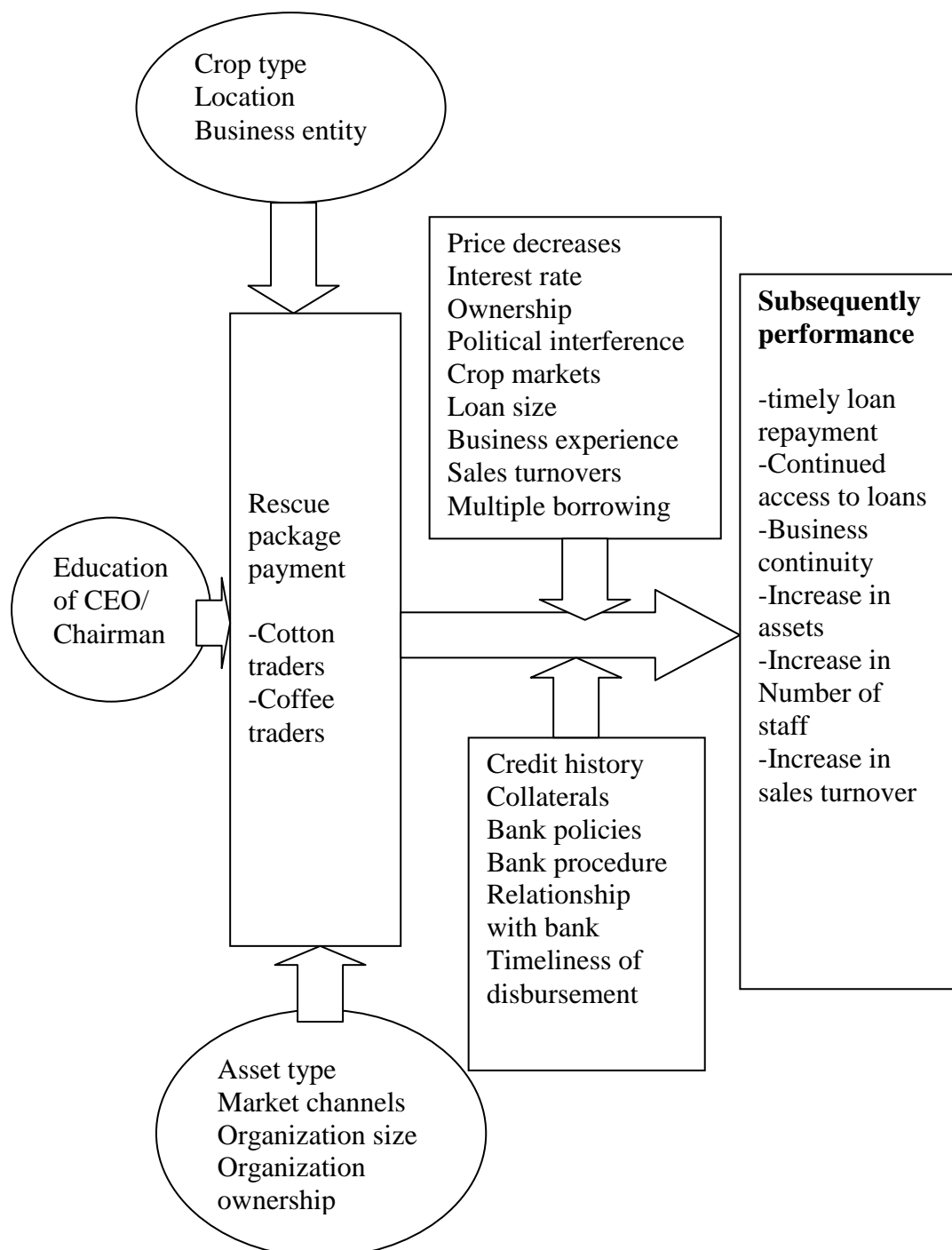
Joy et al (2008) after correlation analysis between group performance and social economic characters has revealed that management –orientation has a positive and significant influence on all the determinants of group performance, followed by information seeking behaviour, knowledge about processing, market perception and economic motivation.

### **2.5 Research Gap Identified**

Various researchers have put forward the causes of GFC, its impacts and its suggested solutions. However none has focused much on the performance of beneficiaries of Rescue Package, during and after the GFC and Its trickle down effects to Tanzania Commercial Banks

## 2.6 Conceptual Framework

Figure 2.1 shows the objectives of rescue package to its beneficiaries.



**Figure 2.1 Conceptual Framework**

**Source:** Developed by the researcher from synthesizing literature and experience.

## **CHAPTER THREE**

### **3.0 RESEARCH METHODOLOGY**

#### **3.1 Overview**

This chapter presents detailed research methodology employed in the study. The chapter is divided into nine sections namely are research strategies, survey population, area of the research, sample size, sampling frame and procedures, variables and measures procedures, method of data collection, data processing and data analysis.

#### **3.2 Research Strategies**

The study used a case survey strategy. A list of 74 crop traders who received rescue package was established with their locations. Questionnaires were used to collect primary data from them. Since crop traders were in form of AMCOS, Cooperatives, farmers groups and Limited Companies, questionnaires were administered by distributing them to branches and filled by leaders of each crop traders.

##### **3.2.1 Survey Population**

Total population was 155 crop traders. However, the Survey population included all cotton and coffee traders who were CRDB customers during GFC at the end of year 2008, qualified and actually received the rescue package fund. In total there were 74 crop traders (14 cotton traders and 60 coffee traders).

### 3.2.2 Area of the Research

The study area included the regions with cotton and coffee traders were obtained the Rescue Packages following GFC through CRDB. Such areas included Mwanza, Shinyanga, Mara, Ruvuma and Mbeya regions.

### 3.2.3 Sample Size and Sampling

Considering the size and scatter of survey population as well as the potential response rates, it was decided to include all 74 cotton and coffee traders in a study. The study targeted trade leaders. The distribution of the crop traders was as follows Mwanza-5, Mara-1, Shinyanga-8, Mbeya-50 and Ruvuma-10. However only 51 useful questionnaires were returned. These responses are distributed in table 3.1. Response rate varied from 60% to 100% depending on the region. Overall response rate was about 69% of all questionnaires.

**Table 3.1: Response Rate**

Region	Crop	Sampled	Returned	Percentage
Mwanza	Cotton	5	4	80
Shinyanga	Cotton	8	6	75
Mbeya	Coffee	50	30	60
Ruvuma	Coffee	10	10	100
Mara	Cotton	1	1	100

**Source: Researcher (2013)**

### 3.3 Variables and Measurement Procedures

The key characteristics explored in the study included business entity, region of operation, crop specialization, assets owned, market channel, organization size (by asset value), organization ownership, business experience and managements' level of

education(CEO and Board's chairman). Performance indicators' were used; namely crop traders' ability to repay subsequent, sales turnover, change in loans, number of loan cycles completed after receiving the package and percentage increases in such performance measures such as sales turnover, number of staff, asset value and business continuity.

To identify factors other than rescue package respondents were asked to indicate the extent to which they agree/ disagree with selected statements. The nine statements were: price of crops in the world market affected their ability to service loans, interest rates affected the same, also owned assets, political interference, crop markets, loan size, crop traders experience, sales turnover and multiple borrowings.

To assess factors that affected crop traders' continuity in accessing loans, respondents were asked to indicate the extent to which they agreed to six suggested statements. This statement includes crop trader's credit history, collaterals, bank policies, bank procedures, relationship with the bank and timely disbursements. They were to rate from strongly agree to strongly disagree by ticking appropriate boxes.

### **3.4 Questionnaire Design**

The questionnaire was divided into three main parts. Key characteristics were collected through closed ended questions (part A). Performance indicators were also collected using closed ended questions (part B). For performance factors the questionnaire contained nine statements, soliciting respondents' opinion in Likert style rating scale. This was complemented with an open space for them to add any other factors not predicted by the nine statements. Similarly the same (but six statements) was done for factors that affected the respondents' continuity (part C).

### **3.5 Data Processing and Analysis**

At the end of data collection, all completed questionnaires from the borrowers were thoroughly examined by the researcher, coded and inputted into computer data sheet using Statistical Package for Social Science (SPSS) software. This was followed by actual analysis of data in order to answer the research questions. The analysis involved use of cross tabulation techniques to analyze both the key characteristics of rescue package beneficiaries and assessing their performance after they had received the rescue package. Also identifying the factors that influenced loan repayment performance and access loans, mean scores from 5 points likert scale types of statement were computed descriptively across respondents and compared statistically between coffee and cotton traders using independent samples t-test technique.

## **CHAPTER FOUR**

### **4.0 FINDINGS AND DISCUSSIONS**

#### **4.1 Overview**

This chapter presents the findings and discussions in a manner that answers the study questions. The study administered 74 questionnaires and only 51 were returned. Section 4.2 details their key characteristics, section 4.3 details performance of rescue package beneficiaries. Finally section 4.4 presents the factors that influenced performance i.e. loan repayment and continued access to loans and subsequent to receiving the rescue package payments.

#### **4.2 Key Characteristics of Rescue Package Beneficiaries**

This part describes the key characteristics of cotton and coffee traders involved in the study. It explains characteristics like the nature of their business entity, operating regions of the coffee and cotton traders, assets owned by the organizations, the nature of market channels, size of the organizations in terms of the asset value currently and organization ownership. Other characteristics include time in which the organizations have been in operation since their inception, the educational level of CEO of organization as well as chairman of the board of company/ organization.

##### **4.2.1 Nature of Business Entity**

The coffee and cotton traders usually conduct their business activities in various agreements depending on their policy, production and selling strategies while some are registered companies others are organized as cooperatives, Agriculture Marketing Cooperative Societies and farmers groups. Distribution of crop traders in these groups is presented in a Table 4.1.



**Table 4.1: Respondents Nature of Business Entity**

<b>Business entity</b>	<b>Coffee</b>	<b>Cotton</b>	<b>Total</b>	<b>Percentage</b>
Farmers group	22	0	22	43.1
AMCOS	4	3	7	13.7
Cooperatives	5	1	6	11.8
Company	9	7	16	31.4
<b>Total</b>	<b>40</b>	<b>11</b>	<b>51</b>	<b>100.0</b>

Source: Field Data (2013)

About 43.1% of the respondents were doing crop trade activities as Farmers groups, all are coffee traders. On the other hand, about 31.4% respondents were Companies. This category represents 9 for coffee and 7 for cotton the second largest group of respondents. Also AMCOS and Cooperatives were accounted for 13.7% and 11.8% of respondents respectively. These finding implies that business entities which were involved in the rescue package were mostly farmers group and Companies with all farmers' groups dealing with coffee trading.

#### **4.2.2 Operating Regions**

Figure 4.2 shows the distribution of respondent beneficiaries. It shows that the regions involved were Mbeya, Ruvuma, Mwanza, Shinyanga and Mara region. Mbeya contributed 58.8% which is more than half of all respondents. The higher percentage of respondents from Mbeya is explained by the high number of coffee traders who obtained their bank services from CRDB Bank Plc. Since the study involves the cotton and coffee traders who were servicing their loans from CRDB Bank Plc and have quite a history in terms of their bank service (includes loans and

advice), Mbeya is among the regions in Tanzania which was severely affected by the GFC. Also about 19.6% of respondents in the study were from Ruvuma region while 11.8% were from Shinyanga region. The small percentage is explained by the low response rate which was 32% and 18% for Shinyanga and Ruvuma, respectively. Mara region had the lowest respondents in the study with only 2%.

**Table 4.2: Operating Regions**

Region	Coffee	Cotton	Total	Percentage
Mbeya	30	0	30	58.8
Mwanza	0	4	4	7.8
Ruvuma	10	0	10	19.6
Shinyanga	0	6	6	11.8
Mara	0	1	1	2.0
<b>Total</b>	<b>40</b> <b>(78.4%)</b>	<b>11</b> <b>(21.6%)</b>	<b>51</b> <b>(100)</b>	<b>100</b>

Source: Field Data (2013)

#### 4.2.3 Respondents' Distribution Per Crop

Table 4.2 shows the distribution of beneficiaries per crops traded and across the regions. About 78.4% of crops traders were involved with coffee trade while 21.6% were involved with cotton trade. The results show that more coffee's traders got rescue package through CRDB Bank Plc compared to cotton's traders. Furthermore, Table 4.2 shows that all coffee traders came from Mbeya (75%) and Ruvuma (25%). Both regions are located within Southern Highland where there is favourable climate

for coffee production. On the other hand, cotton traders are shown on Table 4.2. Shinyanga (54.5%), Mwanza (36.4%) and Mara (9.1 %.). Again the distribution bears on climatic condition in these regions which favour cotton production.

#### **4.2.4 Organization Assets**

The rescue package provided by the Tanzania government was aimed at making the beneficiaries withstand the financial downfall caused by the GFC in such a way that they would continue with their businesses and market operations as usual. Thus, the study also wanted to determine the kind of assets these crop traders had accumulated over the years as a proxy for financial stability. Results are represented in Table 4.4. The results show that about 41.2% of the respondents own stocks/inventories. This highest percentage is explained by the tendency of cash crop traders to store crops they collect under arrangement of collateral management to stand as security. Most crop traders particularly farmer groups prefer this mode as it enables them to have maximum loans without committing other assets.

Furthermore about 27.5% of respondents owned both landed properties and stock inventories which indicate that crop traders have committed the valuable asset to secure their loans. About 19.6% of coffee and cotton traders committed only landed properties to secure their loans. About 7.8% of respondents own all mentioned assets such as landed properties, machines and factory as well as stocks and inventories committed to secure their loans. Most of these are the ones that are capable of doing the pre-processing of their product before selling to individuals or industries within or outside Tanzania borders. Overall, more coffee traders than cotton traders have landed property and stocks/inventory.

**Table 4.3: Assets owned by the Coffee and Cotton Traders in the Study**

<b>Asset owned</b>	<b>Coffee</b>	<b>Cotton</b>	<b>Total</b>	<b>Percentage</b>
Landed properties	9	1	10	19.6
Machinery and factory	1	0	1	2.0
Stocks / inventories	17	4	21	41.2
Landed properties and stock inventories	12	2	14	27.5
Machinery and Factory and Stocks/Inventories	1	0	1	2.0
All mentioned assets	0	4	4	7.8
<b>Total</b>	<b>40</b>	<b>11</b>	<b>51</b>	<b>100.0</b>

Source: Field Data (2013)

**4.2.5 Market Channels for Selling Crops**

Success in selling of cash crops especially coffee and cotton is determined by the profits made from the markets. Such success is based on competitive prices as well as market channels which are sometimes subjected to unfair selling price (fraud) of crops by some unfaithful traders who act like middleman connecting the potential buyers and producers. Results of the market channels used by crop traders are presented in table 4.4. About 78.4% of coffee and cotton traders depend on the market channels managed or regulated by the board of specific crops in Tanzania. While all coffee traders depended on cooperative unions and board of specific crop, only slightly less than half of the cotton traders depended on these marketing channels. Specifically the boards involved here are the Tanzania Cotton Board and

Tanzania Coffee Board. These boards are responsible for protecting the interests of farmers against syndication by formulating and regulating the storage, market channels and exportation of cotton and coffee.

**Table 4.4: Organizations Market Channels for Coffee and Cotton Traders**

<b>Market Channels</b>	<b>Coffee</b>	<b>Cotton</b>	<b>Total</b>	<b>Percentage</b>
Cooperative union	5	2	7	13.7
Board of specific crop	35	5	40	78.4
Companies	0	1	1	2.0
Cooperative Union and Board of specific group	0	1	1	2.0
Board of specific crop and companies	0	2	2	3.9
<b>Total</b>	<b>40</b>	<b>11</b>	<b>51</b>	<b>100.0</b>

Source: Field Data (2013)

Also about 13.7% of all crop traders sell their products through cooperative union which is the association of farmers. These ensure farmers' welfare in different farming aspects including providing competitive market where by products can be sold at competitive prices. These unions are spatial based, and have jurisdiction within a particular geographical locations. Other crop traders' channels depend on both, cooperative union as well as the board of the specific crop which was represented by 2%. Also other crop traders' used board of specific crop and companies as market channels of their crops which was represented 2%. However

the board of specific crop is the ultimate regulator since is under Tanzania government through Ministry of Agriculture.

#### 4.2.6 Size of Organization in Terms of Asset Value

The size of organization in terms of assets value is simply the capital investment with respect to the facilities that the organization own or use. Table 4.5 presents the results. This translates to over 72.7% of all cotton traders and only 10% of all coffee traders have assets value of above 1 Billion shillings which include companies. Also about 27.5% of crop traders had assets with value between 100 Million to 1 Billion shillings which is explained by the most cooperatives and some farmers groups. This also translates to 27.3% of cotton traders and 27.5 of coffee traders. Farmer groups with assets value of less than 100 Million shillings is represented by 49% of respondents, who include AMCOS and farmers groups. This group is represented by coffee traders only. In other words, while all cotton traders had asset with value of 100 million shillings and above, 62.5% of coffee traders had asset value less than 100 million shillings.

**Table 4.5: Asset Value**

<b>Asset Value in TZS</b>	<b>Coffee</b>	<b>Cotton</b>	<b>Total</b>	<b>Percentage</b>
>1 Billion	4	8	12	23.5
100 Million – 1 Billion	11	3	14	27.5
< 100 Million	25	0	25	49.0
<b>Total</b>	<b>40</b>	<b>11</b>	<b>51</b>	<b>100.0</b>

Source: Field Data (2013)

#### 4.2.7 Organization Ownership

Normally in any organization, the pattern of ownership may include Government owned, private owned or joint venture to which the government and private sector have shares. In addition, ownership is the one to which consists of members can form a venture in which each member occupies shares.

Table 4.6 presents ownership distribution of crop traders' enterprises. About 66.7% of the enterprises were members owned, and this is common in rural areas where most of cotton or coffee plantations are owned by village members while 75% of coffee traders fall in this categories, less than half (36.4%) of cotton traders fall in the same category. Also about 29.4% of the respondents' enterprises were privately owned (22.5% coffee and 54.5% Cotton) while 2% were government owned organizations.

**Table 4.6: Ownership of Organization**

<b>Owner</b>	<b>Coffee</b>	<b>Cotton</b>	<b>Total</b>	<b>Percentage</b>
Government Owned	0	1	1	2.0
Privately Owned	9	6	15	29.4
Members owned	30	4	34	66.7
Joint Venture	1	0	1	2.0
<b>Total</b>	<b>40</b>	<b>11</b>	<b>51</b>	<b>100</b>

Source: Field Data (2013)

#### 4.2.8 Time in Operation (Age)

Table 4.7 presents results of the time crop traders have been in operation. About 29.4% of crop trading had been in operation more than 10 years while 54.9% operated between 5 and 10 years. Only 15.7% of organizations existed for Four or less. Table 4.7 also shows that while 95% of coffee traders are 5 or more years older, only 45.5% of cotton traders' fall in the same category. This implies that more coffee traders were older than cotton traders. This has an important implication for loan repayment ability.

**Table 4.7: Time in Operation (Age)**

Operation time	Coffee	Cotton	Total	Percentage
More than 10 years	13	2	15	29.4
5-10 years	25	3	28	54.9
0-4 years	2	6	8	15.7
<b>Total</b>	<b>40</b>	<b>11</b>	<b>51</b>	<b>100.0</b>

Source: Field Data (2013)

#### 4.2.9 Education Level

With regards to global financial crisis, the capacity of leaders of the organizations as well as that of its board members was critical in steering the businesses. Education level was used in this study to gauge the leaders' ability to understand the different phenomena occurring in the course of running businesses and adapting to challenges in an intellectual way. Table 4.8 presents the education levels of CEO's. About 37.3% of organizations CEO were having primary education as their highest academic qualification while 35.3% were having secondary education. Only 9.8%



and 17.6% were college and University graduates respectively. The difference in the academic qualification is based on the experience in agricultural industry especially one involving in cotton and coffee. It is also important to note that while 63.6% of cotton traders' CEOs had college education and above, only 35% of the coffee traders CEOs fall in that category.

**Table 4.8: Education Level of CEO of Organization Involved in the Study**

<b>Education Level</b>	<b>Coffee</b>	<b>Cotton</b>	<b>Total</b>	<b>Percentage</b>
Primary education	16	3	19	37.3
Secondary education	17	1	18	35.3
College graduates	3	2	5	9.8
University graduates	4	5	9	17.6
<b>Total</b>	<b>40</b>	<b>11</b>	<b>51</b>	<b>100.0</b>

Source: Field Data (2013)

In addition, education level of the Board's chairman is presented in Table 4.9. About 39.2% and 33.3% of organization's board chairmen were having primary and secondary education as their highest academic qualification and only 17.6% and 9.8% were college and University graduates.

**Table 4.9: Education Level of Board Chairman**

<b>Education Level</b>	<b>Coffee</b>	<b>Cotton</b>	<b>Total</b>	<b>Percentage</b>
Primary education	17	3	20	39.2
Secondary education	16	1	17	33.3
College graduates	6	3	9	17.6
University graduates	1	4	5	9.8
<b>Total</b>	<b>40</b>	<b>11</b>	<b>51</b>	<b>100.0</b>

Source: Field Data (2013)

Similarly, it is noted that while 63.6% of cotton traders had board chairman with college education and above, only 17.5% of coffee traders had board chairman with college and above education. Again these results have important implication for how the organization are managed and steered over efforts of the GFC storm.

#### **4.3 Performance of Rescue Package Beneficiaries**

Crop traders (Coffee and Cotton) are amongst the organizations which received funds after GFC to prompt their financial well being. Mostly the package was aimed at ensuring food security by enhancing traders continue producing and trading following the crisis. Another reason was to protect the key investments from collapsing which provided employment opportunity to individuals and also contributed to per capital income through revenue. Although the rescue package was given to production companies, individuals or firms that qualified the criteria set by the BOT, not all performed in the market and continued to survive by surviving as business entities. This study used different performance measures to assess these rescue package beneficiaries. The performance measures used included the loan

repayment performance (especially timely repayment status, number of loan cycles) and increase in sales turnover after receiving the rescue packages. Furthermore, percentage increase in number of staffs/members in the organization, increase in percentage organization's assets and present business status were also used.

#### 4.3.1 Repayment Performance

The loan repayment performance of crop traders was examined to find out how these traders performed after receiving the rescue package. Results are presented in Table 4.10. About 35.37% of traders indicated that they were able to repay partially and late. Another 15.7% of crop traders did not pay the loans at all while another 17.6% paid timely but partially. This left 19.6% who repaid fully albeit late and 11.8% who paid fully and timely. Thus in total only 31.4% of crop traders were able to repay the loans fully. But also the results show that while 40% of coffee traders repaid fully, only 18.18% of cotton traders repaid fully and late. Thus in terms of loan repayment, cotton traders performed rather poorly compared to coffee traders. These results could explain the poor performance of CRDB's agriculture loan portfolio.

**Table 4.10: Loan Repayment Performance**

<b>Loan repayment performance</b>	<b>Coffee</b>	<b>Cotton</b>	<b>Total</b>	<b>Percentage</b>
Fully and timely repayment	6	0	6	11.8
Timely but partially repayment	9	0	9	17.6
Late but full repayment	8	2	10	19.6
Late and partial repayment	13	5	18	35.3
Not paid at all	4	4	8	15.7
<b>Total</b>	<b>40</b>	<b>11</b>	<b>51</b>	<b>100.0</b>

Source: Field Data (2013)

### 4.3.2 Loan Cycles

Another objective of the rescue package was to enable crop traders repay the loans they had in order to continue enjoying credit from banks, in this case, CRDB Bank such continuation of access to credit was expected to ensure that crop traders continued to support agricultural production and wellbeing of farmers during crisis. Thus, this study sought to find out the extent to which the crop traders continued to access credit from CRDB Bank. Table 4.11 presents the results. A total of 64.7% (including 45.1% four times and 19.6% three times) of crop traders had three or more loan cycles since receiving the rescue packages.

This indicates that following the rescue package most traders were able to take more credit. It is important to note that while 77.5% of coffee traders were able to take loans three or more times after receiving the rescue package payment only 18.2% of cotton traders did the same. Thus cotton traders were more able to take subsequent loans than their counterparts. However 11.8% of traders in the study did not take further loans at all. This could imply that they stopped operations. Other crop traders accessed credit once (9.8%) and twice (13.7%)

**Table 4.11: Loan Cycles**

Loan Cycles	Coffee	Cotton	Total	Percentage
Four more times	21	2	23	45.1
Three	10	0	10	19.6
twice	4	3	7	13.7
Only once	2	3	5	9.8
Not at all	3	3	6	11.8
<b>Total</b>	<b>40</b>	<b>11</b>	<b>51</b>	<b>100.0</b>

Source: Field Data (2013)

### 4.3.3 Sales Turnover Status

Another key performance indicator was changes in sales turnover. It was expected that following the receipt of the rescue package, crop traders would grow their sales, which in turn would improve their cash flows and hence ability to service the loans they had with CRDB Bank.

Table 4.12 shows the distribution of traders across different categories of percentage changes in sales turnover. About 47.1% of crop traders experienced no change in sales turnover. Only 37.2% of crop traders in the study (7.8% traders that raise their sales turnover between 76% - 100%, 13.7% which raise their sales between 51%-75% and 15.7% crop traders who raise the sales by only 26% to 50%) experienced some increases in sales turnover by between 26% and 100%. While 22.5% of coffee traders raised their sales turnover by over 50%, only 18.2% of cotton traders did so.

**Table 4.12: Percentage Increase of Sales Turnover**

Percentage increase	Coffee	Cotton	Total	Percentage
76%-100%	4	0	4	7.8
51%-75%	5	2	7	13.7
26%-50%	7	1	8	15.7
1%-25%	6	2	8	15.7
No increase	18	6	24	47.1
<b>Total</b>	<b>40</b>	<b>11</b>	<b>51</b>	<b>100.0</b>

Source: Field Data (2013)

#### 4.3.4 Percentage Increase in Staffing

Performance of the crops traders were also analyzed based on the percentage increase in the number of staffs that are recruited annually consistent with one of the purposes of the rescue package which was to secure jobs and create new ones. Table 4.13 presents the results. While 39.2% of crop traders were able to increase staffing by between 1% and 100% (with only 4% in the above 50% increase category), the remaining 60.8% experienced no increase in staffing i.e. 55% of coffee traders and 81.8% of cotton traders.

**Table 4.13: Percentage Increase in Staffing**

<b>% increase in staff</b>	<b>Coffee</b>	<b>Cotton</b>	<b>Total</b>	<b>Percentage</b>
76%-100%	0	1	1	2.0
51%-75%	1	0	1	2.0
26%-50%	9	0	9	17.6
1%-25	8	1	9	17.6
No increase	22	9	31	60.8
<b>Total</b>	<b>40</b>	<b>11</b>	<b>51</b>	<b>100.0</b>

Source: Field Data (2013)

#### 4.3.5 Increase in Assets

In addition to being able to repay their loans and stay in business, the rescue package beneficiaries were also expected to grow their assets. The growth in assets was also expected to make the crop traders able to secure subsequent loans on their own. Therefore, this study also assessed whether the crop traders experienced growth in their assets after they had benefited from the rescue package payments. Table 4.14 presents the results.

**Table 4.14: Percentage Increase in Assets**

<b>% increase in Assets</b>	<b>Coffee</b>	<b>Cotton</b>	<b>Total</b>	<b>Percentage</b>
76%-100%	0	0	0	0
51%-75%	4	1	5	9.8
26%-50%	2	0	2	3.9
1%-25	15	2	17	33.3
No increase	19	8	27	53.0
<b>Total</b>	<b>40</b>	<b>11</b>	<b>51</b>	<b>100.0</b>

Source: Field Data (2013)

The majority (53%) of the crop traders did not experience increases in assets. This leaves only 47% who experienced between 1% and 75% increase. However, the majority in this category falls in 1% to 25% category (33.3%). This means that the rescue packages only sealed the gap in trading activities of cotton and coffee traders which were impacted by GFC but didn't boost their assets. The higher percentage of performers in the 1 to 25% increase in assets explain the current situation in which the organizations are still adapting to damages they experienced in their financial wellbeing after the GFC.

#### **4.3.6 Business Continuity**

Globally many businesses, firms and banks entities collapsed after the GFC as they couldn't cope with the financial turmoil. However, after sometimes when the appropriate measures were taken which among others included the provision of rescue packages, companies were resurrected into operations. The study therefore looked into persistence of the firms and companies trading cotton and coffee in the crop business in comparison to the way they operate before receiving rescue package as well as GFC. Table 4.15 presents the results. The study found out that about

74.5% of organizations trading coffee and cotton continued with trading in the same after receiving the rescue packages while 25.5% of traders collapsed. About 82.5% of coffee traders continued to do business while only 45.5% of cotton traders did the same. Higher percentage of crop traders that are still in business explains the effectiveness of the rescue package as it saved the larger percentage of crop traders from collapsing. This could imply that the firms failed to the conditions that relates to monetary management so that they remains in the crop business.

**Table 4.15: Business Continuity**

<b>Business Continuity</b>	<b>Coffee</b>	<b>Cotton</b>	<b>Total</b>	<b>Percentage</b>
Yes	33	5	38	74.5
No	7	6	13	25.5
<b>Total</b>	<b>40</b>	<b>11</b>	<b>51</b>	<b>100.0</b>

Source: Field Data (2013)

#### **4.4 Factors Influencing Loan Servicing After Receiving Rescue Package**

As it has been observed in the study, some of the cotton and coffee traders prove to exist in the crop trading business and manage to adapt with the financial crisis especially after receiving the stimulus package from BOT. On the other hand some of the crop traders, although received the rescue package didn't recover from financial turmoil.

Mean scores for each statement of factor were computed across all respondents. These mean scores were then compared statistically between mean scores for coffee traders and cotton traders using independent samples t-test technique. Results are presented in Table 4.16 Several factors were put before the rescue package beneficiaries and asked to agree or disagree to them in a 5 point Likert Scale. Factors



suggested were crop prices, interest rates, owned assets, political interference, availability and performances of crop markets, loan size, experience in business, sales turnovers and multiple borrowing. Table 4.16 presents the results and compares mean scores of coffee traders to those of cotton traders.

**Table 4.16: Factors Influencing Loan Repayment**

Factors	N	Coffee	Cotton	Total	t-test p-value
Price of Crops in world market	51	1.38	1.00	1.29	<b>0.014*</b>
Interest Rate	51	3.02	2.82	2.98	0.673
Owned assets	51	2.42	2.45	2.43	0.955
Political interference	51	<b>3.82</b>	1.73	3.37	<b>0.000**</b>
Crop Markets	51	1.55	1.09	1.45	<b>0.020*</b>
Loan Size	51	2.92	2.55	2.84	0.389
Experience in Business	50	2.56	2.09	2.46	0.431
Sales Turnover	50	1.64	1.32	1.58	0.509
Multiple Borrowing	51	3.68	2.55	<b>3.43</b>	0.070

\*Significant at 0.05 level \*\* significant at 0.01 level

Source: Field Data (2013)

Results shows that multiple borrowing had the highest mean score (3.43) and was significantly higher for coffee traders (3.68) than cotton traders (2.55) at 0.10 level. This was followed by political interference with mean score of (3.37) that was also significantly higher for coffee traders (3.82) than for cotton traders (1.73) at 0.01 level ( $P < 0.01$ ). Other important factors were interest rates (2.98) and loan size (2.84) but there were not significantly differences in the means between coffee and cotton, important to note that although price of crops and crop markets had smaller mean

scores of 1.29 and 1.45 respectively their mean scores for coffee traders were significantly higher than those of cotton traders at 0.05 level.

#### 4.5. Factors Influencing Access to Loans after Receiving Rescue Package

Factors which influenced crop traders to continue accessing loan from CRDB bank after receiving rescue package were determined out of few suggested to them. They were asked to indicate the extent to which they agree / disagree to each of the suggested factor in a 5-point Likert scale. The suggested factors included traders' credit history, collaterals, bank policies, bank procedures, traders' relationship with the bank and timeliness of disbursements of the rescue package payment. Mean scores across respondents for each factor were computed and compared between coffee and cotton traders using independent sample t-test technique. Results are presented in Table 4.17

**Table 4.17: Factors Influencing Access to Loans**

<b>Factors</b>	<b>N</b>	<b>Coffee</b>	<b>Cotton</b>	<b>Total</b>	<b>t-test p -value</b>
Traders' credit History	50	1.18	1.00	1.14	0.391
Collaterals	50	1.51	1.64	1.54	0.702
Bank Policies	49	2.13	2.82	2.29	0.126
Bank Procedures	49	<b>2.32</b>	<b>3.27</b>	<b>2.53</b>	0.087
Traders' Relationship with the bank	49	1.41	1.00	1.33	<b>0.002**</b>
Timeliness of disbursement	49	2.31	2.50	2.35	0.723

\*\* Significant at 0.01 level

Source: Field Data (2013)

The results show that bank procedures topped the list with a mean score of 2.53 where the mean score for coffee traders (2.32) was significantly lower than the mean score for cotton traders (3.27) ( $p=0.087$ ). This was followed by timeliness in disbursing the rescue package payment with mean score 2.35. The mean score for coffee traders (2.31) was not statistically significantly different from that of cotton traders (2.50).

Bank policies were also viewed as an important factor (2.29) where the mean score for coffee traders (2.13) was lower than that of cotton traders (2.82) but the difference is not statistically significant. Although the traders' relationship with the bank was ranked low (1.33), the mean score for coffee traders (1.41) was significantly higher than that of cotton traders (1.00) at 0.01 level ( $p=0.002$ ). Overall most of the factors are from the bank's side rather than from the customer or crop business per se.

## **CHAPTER FIVE**

### **5.0 SUMMARY OF FINDINGS, CONCLUSION AND RECOMENDATIONS**

#### **5.1 Overview**

The objective of the study was to assess the performance of the beneficiaries of the rescue package payment and to identify the determinants of such performance. Seventy four (74) questionnaires were distributed out of which 51 returned and were found useful for analysis. These included 40 from coffee traders and 11 from cotton traders scattered in Mwanza, Shinyanga, Mara, Mbeya and Ruvuma. Cross tabulation and independent sample t-test of means techniques were used for data analysis.

#### **5.2 Summary of the Key Findings**

The study reveals although the rescue package was given to all cotton and coffee traders meet the required criteria but not all the recipients perform better in loan servicing as expected. Results show that 31.3% of the rescue package beneficiaries repaid their loans fully, 78.4% accessed loans subsequently; 52.9% experienced increase in sales varying from 1% to 100%, 39.2% increased staffing by between 1% to 100%; and 74.5% were able to survive and continue trade in the two crops. There were notable differences in all performance measurements between coffee and cotton traders.

Multiple borrowing behaviour of the traders, political interference, interest rate on loans and crop market were found to be important determinants of rescue package beneficiaries' subsequently loan repayment performance. Mean scores for multiple borrowing and political interference for coffee traders were statistically significantly

higher than those of cotton traders. Moreover, although crop prices and crop markets had the lowest mean scores, those for coffee traders were statistically higher than those of cotton traders and were significant.

Result also show that bank procedures, timeliness disbursement, bank policies, timeliness of disbursement of rescue package payments and traders relationship with the bank were important factors for subsequent access to loans. Mean scores for all these factors were lower and statistically insignificant for coffee traders except for the traders' relationship with the bank in which the mean score for coffee traders was significantly higher than that of cotton traders.

### **5.3 Conclusion**

Although only a third of the beneficiaries were able to repay the loans fully, notable progress is recorded. Over three quarters accessed loans subsequently over half increased sales by between 1 and 100%. Over 74.5% survived and continued with businesses. It can therefore be concluded that there were some notable improvements in the performance of beneficiaries after receiving the package.

Multiple borrowing behaviour of the beneficiaries on the one hand and political interference on the other were critical factors in influencing loan repayment performance. Bank policies, procedures and timeliness in disbursing the package were important factors influencing subsequent access to loans after receiving the rescue package. Since all these are within the bank's territory, it can be concluded that subsequent access to loans were affected by bank's policies and procedures rather than failure of the beneficiaries to utilizing the package.

It can also be concluded that the factors so identified influenced the beneficiaries ability to repay differently depending on the crop been dealt with i.e. coffee or cotton traders more affected. Similarly factors affecting access to loans affected the beneficiaries differently with cotton traders less affected compared to coffee traders.

#### **5.4 Implication of Study Results**

The results simply that the decision of the Government to provide rescue package to crop traders it is a plausible measure despite the challenges it comes with. If the similar situation happens, there is a need to have a level playing field to ensure that crop traders are treated equally and fairly. Bank policies and procedure, practices may have a higher impact on customers' ability and willingness to access loans. Also multiple borrowing has high impact on loans' performance since it becomes source of credit risk.

#### **Recommendations**

The rescue package has highlighted the commitment and willingness of the Government to assist the affected crop traders during global financial crisis but also other plausible measure should put in place in case the situations similar to this happen. Banks should take critical measures to review frequently their policies and procedures to make them friendly to customers without necessarily creating undue risk exposures. Crop traders should consider selecting the qualified Board Chairmen as well as Chief Executive Officers for critical analysis of their business performance. Political interference should be kept at minimum to allow crop traders to perform their business for the purpose of getting profit and repay their outstanding loans from commercial banks.

## **5.6 Limitations and Area for Future Studies**

### **Limitations**

The study was limited to crop traders associated with one bank only and therefore, the findings may not be generalizes to all banks. Also it is known that the rescue package covered more than just coffee and cotton traders. Since the evidence presented here is only for coffee and cotton traders, it may not be generalizable across all the affected crops.

### **Area for Future Studies**

Therefore further studies are recommended to include other participating bank and businesses. Further studies may also compare performance of other traders who were trading in the same business at the time but did not access the rescue. Considering these groups concurrently provides a fertile avenue for controlling the impact of the general movements in the market which may bias the performance recovered here.

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## APPENDICES

### QUESTIONNAIRE

Dear respondent,

This questionnaire is administered by a Master Degree Programme student of Open University of Tanzania, as part of his research for the partial fulfilment for the award of Master Degree Programme. The research is examining '**Performance of Rescue Packages Beneficiaries and its determinants**': **The case of CRDB Bank PLC**. The aim is to find key characteristics affecting your loan performance after you received rescue package. Your responses are important in gathering information in better understanding the scope of the study.

The questionnaire has **three parts** which should take you about ten minutes to complete. Please tick the appropriate provided box. If you wish to add further comments, please feel free to do so. The provided information will be treated with high confidentiality. That's why you haven't asked to include your name or address anywhere on the questionnaire. The answers from your questionnaires will be used as the main source of data for this research for my Master degree in Business Administration at the Open University of Tanzania.

I hope that you will enjoy responding on provided questions. I kindly request you to answer the questions that appear in this questionnaire by filling in the answers briefly and appropriately.

God bless you for devoting your time to fill in this questionnaire.

Yours Faithful,

Makoye Luswaga (Email. [makoyeluswaga@gmail.com](mailto:makoyeluswaga@gmail.com) Tel: 0754-487382)

**MBA**

**Student**



### PART ONE – CHARACTERISTICS

**You have given questions 1-18, please tick (✓) the appropriate box**

1. In which region do you operating from?

S/N	Region	Tick (✓)
1	Mbeya	
2	Mwanza	
3	Ruvuma	
4	Shinyanga	
5	Mara	

2. Which crop do you deal with?

S/N	Crop	Tick (✓)
1	Coffee	
2	Cotton	

3. Which assets do your organization own?

S/N	Assets owned	Tick (✓)
1	Landed properties	
2	Machinery and Factory	
3	Chattels	
4	Stocks / inventories	
5	Other specify	

4. To which markets channel do you sell your crops?

S/N	Market	Tick (√)
1	Individuals	
2	AMCOS	
3	Cooperative Union	
4	Board of specific crop	
5	Companies	
6	Other specify	

5. What is the size of your organization in terms of asset value?

S/N	Assets value in TZS	Tick (√)
1	Above 1 Billion	
2	100Mn to 1 Billion	
3	Less than 100 Million	

6. How is your organization owned?

S/N	Organization ownership	Tick (√)
1	Government owned	
2	Privately owned	
3	Members owned	

7. How long has your organization been in operation?

S/N	Age of an organization	Tick (√)
1	More than 10 years	
2	5-10 years	

<b>S/N</b>	<b>Age of an organization</b>	<b>Tick (√)</b>
3	0-4 years	

8. What is the highest level of education of your CEO?

<b>S/N</b>	<b>Level of Education</b>	<b>Tick (√)</b>
1	Primary Education	
2	Secondary Education	
3	College Graduates	
4	University graduate	

9. What is the average level of education of your Board Chairman?

<b>S/N</b>	<b>Level of Education</b>	<b>Tick (√)</b>
1	Primary Education	
2	Secondary Education	
3	College Graduates	
4	University graduate	

## PART TWO-PERFORMANCE MEASURES

10. What was your organization subsequent loan repayment performance after receiving the rescue package funds?

S/N	Loan repayment performance	Tick (√)
1	Full and timely repayment	
2	Timely but partial repayment	
3	Late but Full repayment	
4	Late and partial repayment	
5	Not paid at all	

11. How many loans cycles did your organization take after receiving the rescue package funds?

S/N	Loans cycles	Tick (√)
1	Four more Times	
2	Three times	
3	Two times	
4	Only once	
5	Not at all	

12. To what extent did your organization sales turnover increased after receiving the rescue package funds?

S/N	Increase in Sales turnover	Tick (√)
1	More than 100%	
2	76% - 100%	
3	51% - 75%	
4	26% - 50%	
5	1% - 25%	
6	No increase	

13. What was the percentage increase in the number of staff for your organization after receiving rescue package funds?

S/N	Staff increase	Tick (√)
1	More than 100%	
2	76% - 100%	
3	51% - 75%	
4	26% - 50%	
5	1% - 25%	
6	No increase	

14. What was the percentage increase in your organization's assets subsequent to receiving rescue package funds?

S/N	Assets increase	Tick (√)
1	More than 100%	
2	76% - 100%	
3	51% - 75%	
4	26% - 50%	
5	1% - 25%	
6	No increase	

15. Is your organization still in business of crop trading after receiving rescue package funds?

S/N	Business existing	Tick (√)
1	Yes	
2	No	

### PART THREE

#### FACTORS

16. To what extent do you agree or disagree with the mentioned statements as factors that influenced your loan servicing to CRDB after receiving the rescue package funds? Please **tick (√)** the appropriate column that matches the view most closely represents your opinion.

S/N	Factors	Strong agree	Tend to agree	Neither agree nor disagree	Tend to disagree	Strongly disagree
1	Price of crops in world market affected my ability to service the loan from CRDB.					
2	Interest rate affected my ability to service the loan from CRDB					
3	Owned assets affected my ability to service the loan from CRDB					
4	Political interference affected my ability to service the loan from CRDB					
5	Crop markets affected my ability to service the loan from CRDB.					

6	Loan Size affected my ability to service the loan from CRDB.					
7	My experience in business affected my ability to service the loan from CRDB					
8	Sales turnover affected my ability to service the loan from CRDB.					
9	Multiple borrowing affected my ability to service the loan from CRDB					

Other specify.....

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17. To what extent do you agree with the mentioned statements as factors that influenced you to continue accessing loan From CRDB after receiving rescue package funds? Please **tick (√)** the appropriate column that matches the view most closely represents your opinion.

S/N	Factors	Strong agree	Tend to agree	Neither agree nor disagree	Tend to disagree	Strongly disagree
1	My credit History influenced my ability to access loan from CRDB					
2	Collaterals influenced my ability to access loan from CRDB					
3	Bank policies influenced me to access loan from CRDB					
4	Bank procedures influenced me to access loan from CRDB					
5	My relationship with the bank was favourable					
6	Timely disbursements influenced me to access loan from CRDB					



